

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Hamlin Township	County Mason
Audit Date 3/31/05	Opinion Date 6/9/05	Date Accountant Report Submitted to State: 7/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

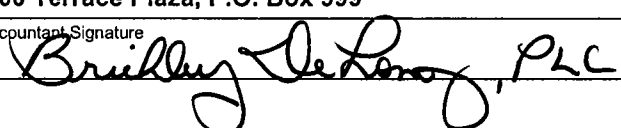
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley Delong, PLC			
Street Address 500 Terrace Plaza, P.O. Box 999		City Muskegon	State MI
		ZIP 49443	
Accountant Signature 			Date 7/13/05

Hamlin Township
Mason County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2005

ELECTED OFFICIALS

Trustees Johnaine Gurzynski
Brian Vandervest

Hamlin Township

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As management of Hamlin Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Hamlin Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with this prior year financial statements or just new to this document, it is important to know that the Township is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

- The General Fund fund balance increased \$84,044. The Fire Fund fund balance increased \$14,783
- The Township purchased radios for the fire department with a grant from another governmental agency

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Hamlin Township's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Debt Service Fund, which are considered major funds. Data from the Budget Stabilization fund is presented as an other governmental fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Hamlin Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$1,375,949. Since this is the first year the township has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a fund balance of \$808,207. This represents the amount of discretionary resources that can be used for general governmental operations.

Hamlin Township Net Assets

	Governmental Activities 2005
Current assets and other assets	\$ 937,518
Capital assets	1,004,684
Total assets	1,942,202
Current liabilities	35,512
Noncurrent liabilities	530,741
Total liabilities	566,253
Net assets	
Invested in capital assets, net of related debt	450,369
Restricted	117,373
Unrestricted	808,207
Total net assets	\$ 1,375,949

Governmental Activities

Governmental activities increased by \$94,490 during the 2005 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities 2005
Revenues:	
Program revenues	
Charge for services	\$ 83,124
Capital grants and contributions	4,000
General revenues	
Property taxes	254,009
Franchise fees	4,178
Grants and contributions not restricted	215,371
Unrestricted investment earning	16,941
Miscellaneous	9,215
Total revenues	586,838
Expenses:	
General government	249,301
Public safety	81,769
Public works	49,037
Community and economic development	30,074
Health, welfare and sanitation	35,861
Culture and recreation	14,734
Interest on long-term debt	31,572
Total expenses	492,348
Increase in net assets before transfers	94,490
Net assets - April 1, 2004	1,281,459
Net assets - March 31, 2005	\$ 1,375,949

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hamlin Township. At the end of the fiscal year 2005, the unreserved General Fund fund balance was \$692,174 and the total General Fund fund balance was \$703,828.

The Fire Fund accounts for the activities of the Township's fire department. The fire department provides services to the residents of Hamlin Township and several surrounding townships as part of the Western Mason County Fire District Authority, Inc. The fund balance at the end of the 2005 fiscal year was \$77,717, which is an increase of 23% over the prior year.

The Debt Service Fund is used to account for debt payments on the new fire station. It is supported by property taxes.

At the end of the 2005 fiscal year, Hamlin Township's governmental funds reported a combined unreserved fund balance of \$808,491. This number represents the unreserved fund balance of \$692,174 in the General Fund and \$116,317 in other governmental funds. It is necessary to further distinguish the total fund balance of \$928,250 between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. Of the total unrestricted fund balance, \$2,386 is reserved for prepaid items. The restricted fund balance of \$117,373 is restricted for debt service payments.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- The budget for administrative fee revenue increased to \$2,600 from \$1,000 due to an unanticipated increase.
- The Homestead tax revenue's original budget was \$0 and the final budget was \$3,500. This was due to board of review changes.
- The budget for reimbursement revenue increased from \$651 to \$7,500. This was due to receiving metro funds as reimbursement revenue.
- The only expenditure budget amendment was a line item transfer from contingency to tax tribunal expense for \$751.

Hamlin Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005 totaled \$1,004,684 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

The Township received a grant to purchase fire department radios for \$4,000. The total cost of the radios was \$4,425.

**Hamlin Township CAPITAL ASSETS
(Net of Accumulated Depreciation)**

	Governmental Activities 2005
Land	\$ 142,018
Buildings and improvements	216,539
Fire buildings	569,464
Fire equipment and vehicles	28,359
Office equipment	22,705
Park buildings and improvements	25,599
Total	<u>\$ 1,004,684</u>

Additional information on the Township's capital assets can be found in Note 4 of the "Notes to the Financial Statements" of this report.

At the end of the 2005 fiscal year, the Township had total outstanding debt of \$556,985 consisting of general obligations bonds, capital leases, and accumulated compensated absences. The general obligation debt of \$550,000 in governmental funds is backed by the full-faith and credit of the Township.

Hamlin Township OUTSTANDING DEBT

	Governmental Activities 2005
General obligation bonds	\$ 550,000
Capital leases	4,315
Accumulated compensated absences	2,670
Total	<u>\$ 556,985</u>

The Township's total debt decreased by \$20,966 during the fiscal year. This reduction was due to normal debt payoffs as provided for in the fiscal year 2005 Budget.

Additional information on the Township's long-term debt can be found in the notes to the financial statements.

General Economic Overview

Hamlin Township has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

Hamlin Township's General Fund is comprised of two major revenue sources. The two consist of state revenue sharing and property tax revenue. Those two sources comprise approximately 75% of the General Fund revenue sources. In fiscal year 2006, state revenue sharing is expected to continue to decline. Property tax revenues will remain flat at best.

The Hamlin Township Board is somewhat cautious on expenditures of the Township due to the economic and uncertainties of Mason County and Michigan with regards to state revenue sharing.

The employment situation for Mason County and the surrounding area is a concern for caution and conservativeness with the Township spending.

However, Hamlin Township is optimistic for future in economic growth development including several new subdivisions located in the Township.

Requests for Information

This financial report is designed to provide a general overview of the Hamlin Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hamlin Township, 3775 N. Jebavy Drive, Ludington, Michigan, 49431 and (231) 845-7801.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 9, 2005

Township Board
Hamlin Township
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Hamlin Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Hamlin Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through vii and 25 through 26 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DELONG

Township Board
June 9, 2005
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamlin Township's financial statements. The nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Hamlin Township
STATEMENT OF NET ASSETS
March 31, 2005

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 880,363
Taxes receivable	19,394
Due from other governmental units	32,772
Prepaid items	4,989
Total current assets	937,518
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	142,018
Depreciable	862,666
Total noncurrent assets	1,004,684
Total assets	1,942,202
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	9,268
Bonds and capital leases, due within one year	26,244
Total current liabilities	35,512
NONCURRENT LIABILITIES	
Bonds and capital leases, less amounts due within one year	528,071
Compensated absences, less amounts due within one year	2,670
Total noncurrent liabilities	530,741
Total liabilities	566,253
NET ASSETS	
Invested in capital assets, net of related debt	450,369
Restricted for:	
Debt service	117,373
Unrestricted	808,207
Total net assets	\$ 1,375,949

The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2005

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for services	Capital grants and contributions	Revenue and Changes in Net Assets
				Governmental activities
Governmental activities				
General government	\$ 249,301	\$ 59,623	\$ -	\$ (189,678)
Public safety	81,769	-	4,000	(77,769)
Public works	49,037	23,501	-	(25,536)
Health, welfare and sanitation	35,861	-	-	(35,861)
Culture and recreation	14,734	-	-	(14,734)
Community and economic development	30,074	-	-	(30,074)
Interest on long-term debt	31,572	-	-	(31,572)
Total governmental activities	<u>\$ 492,348</u>	<u>\$ 83,124</u>	<u>\$ 4,000</u>	(405,224)
General revenues				
Taxes				
Property taxes, levied for general purposes				113,967
Property taxes, levied for fire operations and debt service				140,042
Franchise taxes				4,178
Grants and contributions not restricted to specific programs				215,371
Unrestricted investment earnings				16,941
Miscellaneous				9,215
Total general revenues and special items				<u>499,714</u>
Change in net assets				94,490
Net assets at April 1, 2004				<u>1,281,459</u>
Net assets at March 31, 2005				<u>\$ 1,375,949</u>

The accompanying notes are an integral part of this statement.

Hamlin Township
BALANCE SHEET
Governmental Funds
March 31, 2005

	General Fund	Fire Fund	Debt Service	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 660,182	\$ 69,807	\$ 111,774	\$ 38,600	\$ 880,363
Taxes Receivable	8,488	5,307	5,599	-	19,394
Due from other governmental units	32,772	-	-	-	32,772
Prepaid items	2,386	2,603	-	-	4,989
Total assets	<u>\$ 703,828</u>	<u>\$ 77,717</u>	<u>\$ 117,373</u>	<u>\$ 38,600</u>	<u>\$ 937,518</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 9,268	\$ -	\$ -	\$ -	\$ 9,268
Fund balances					
Reserved for:					
Debt service	-	-	117,373	-	117,373
Prepaid items	2,386	-	-	-	2,386
Unreserved					
General fund	692,174	-	-	-	692,174
Special revenue funds	<u>-</u>	<u>77,717</u>	<u>-</u>	<u>38,600</u>	<u>116,317</u>
Total fund balances	<u>694,560</u>	<u>77,717</u>	<u>117,373</u>	<u>38,600</u>	<u>928,250</u>
Total liabilities and fund balances	<u>\$ 703,828</u>	<u>\$ 77,717</u>	<u>\$ 117,373</u>	<u>\$ 38,600</u>	<u>\$ 937,518</u>

The accompanying notes are an integral part of this statement.

Hamlin Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 March 31, 2005

Total fund balance—governmental funds		\$ 928,250
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,425,157	
Accumulated depreciation	<u>(420,473)</u>	1,004,684

Long-term liabilities in governmental activities are not due and payable in the current
period and are not reported in the governmental funds.

Bonds and capital lease payable	(554,315)	
Compensated absences	<u>(2,670)</u>	<u>(556,985)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,375,949</u></u>
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The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2005

	General Fund	Fire fund	Debt service	Other governmental funds	governmental governmental funds
REVENUES					
Property taxes	\$ 113,967	\$ 68,140	\$ 71,679	\$ -	\$ 253,786
Licenses and permits	3,140	-	-	-	3,140
Intergovernmental revenues - state	215,371	-	-	-	215,371
Charges for services	81,248	-	-	-	81,248
Fines and forfeitures	957	-	-	-	957
Investment earnings	13,093	583	1,423	885	15,984
Other	9,201	6,928	-	-	16,129
Total revenues	436,977	75,651	73,102	885	586,615
EXPENDITURES					
Current					
General government	223,684	-	-	-	223,684
Public safety	-	57,456	-	-	57,456
Public works	49,037	-	-	-	49,037
Health and sanitation	35,861	-	-	-	35,861
Community and economic development	30,074	-	-	-	30,074
Culture and recreation	12,492	-	-	-	12,492
Debt service				-	
Principal	1,115	-	20,000	-	21,115
Interest and fees	542	-	31,030	-	31,572
Capital outlay	-	4,425	-	-	4,425
Total expenditures	352,805	61,881	51,030	-	465,716
Excess of revenues over (under) expenditures	84,172	13,770	22,072	885	120,899
OTHER FINANCING SOURCES (USES)					
Transfers in	885	1,013	-	-	1,898
Transfers out	(1,013)	-	-	(885)	(1,898)
Total other financing sources (uses)	(128)	1,013	-	(885)	-
Net change in fund balances	84,044	14,783	22,072	-	120,899
Fund balances at April 1, 2004	610,516	62,934	95,301	38,600	807,351
Fund balances at March 31, 2005	\$ 694,560	\$ 77,717	\$ 117,373	\$ 38,600	\$ 928,250

The accompanying notes are an integral part of this statement.

Hamlin Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 For the year ended March 31, 2005

Net change in fund balances—total governmental funds	\$	120,899
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (51,800)	
Capital outlay	<u>4,425</u>	(47,375)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		21,115
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Increases in the compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		<u>(149)</u>
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Change in net assets of governmental activities	\$	<u><u>94,490</u></u>
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The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
March 31, 2005

	<u>Employee Benefit Plan</u>	<u>Agency Fund</u>
ASSETS		
Cash and investments	\$ <u>54,565</u>	\$ <u>11,652</u>
 LIABILITIES		
Due to other governments	\$ <u>-</u>	\$ <u>11,652</u>
 NET ASSETS		
Held in trust for benefits and other purposes	\$ <u>54,565</u>	

The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiduciary Funds
 For the year ended March 31, 2005

	<u>Employee Benefit Plan</u>
ADDITIONS	
Contributions	
Employer	\$ 10,974
Investment earnings	
Net increase in fair value of investments	<u>4,015</u>
Total additions	14,989
 DEDUCTIONS	
Benefits	12,244
Fees	<u>865</u>
Total deductions	<u>13,109</u>
Change in net assets	1,880
Net assets at April 1, 2004	<u>52,685</u>
Net assets at March 31, 2005	\$ <u><u>54,565</u></u>

The accompanying notes are an integral part of this statement.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hamlin Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004—governmental funds	\$ 807,351
Capital assets, net	1,052,059
Long-term liabilities	(575,430)
Compensated absences	<u>(2,521)</u>
Restated net assets at April 1, 2004	<u>\$ 1,281,459</u>

1. Reporting Entity

Hamlin Township (Township) is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the Township's fire department operations.

The Debt Service Fund is used for the repayment of debt.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employees retirement plan, which accumulates resources for pension benefit payments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

All investments are stated at fair value.

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

a. Deposits and Investments—Continued

Pension plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, John Hancock Financial Services. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$143,592,000. The ad valorem taxes levied consisted of .7579 mills for the Township's operating purposes, .4739 mills for fire operating purposes and .5 mills for debt service. These amounts are recognized in the respective General Fund, Fire Fund and Debt Service Fund.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

d. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Land improvements	10-15
Equipment	5-10
Vehicles	7-20

e. Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Township. Accumulated vacation time does not generally carry over beyond the calendar year in which it is earned. Sick leave accrues to full-time permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance.

f. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

g. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
 March 31, 2005

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's carrying amount of deposits was \$211,419, and the bank balance was \$235,433. Of the bank balance, \$154,892 was covered by federal depository insurance. The remaining \$80,541 was uninsured and uncollateralized.

2. Investments

As of March 31, 2005, the Township's investments represented holdings in investment pools, certificates of deposit with original maturities exceeding six months and mutual funds. During the year ended March 31, 2005, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2005, the Township's fair value in those pools and mutual funds was \$656,166.

	<u>Category</u>			<u>Fair value amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	\$ <u>78,995</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>78,995</u>

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

Managed domestic stock funds	\$ <u>54,565</u>
------------------------------	------------------

Below is a summary of the combined balance sheet deposits and investments:

	<u>Government activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>880,363</u>	\$ <u>66,217</u>	\$ <u>946,580</u>

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	Balance April 1, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance March 31, <u>2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 142,018	\$ -	\$ -	\$ 142,018
Capital assets, being depreciated:				
Buildings and improvements	1,025,201	-	-	1,025,201
Furniture and equipment	139,014	4,425	-	143,439
Vehicles	<u>114,500</u>	<u>-</u>	<u>-</u>	<u>114,500</u>
Total capital assets, being depreciated	<u>1,278,715</u>	<u>4,425</u>	<u>-</u>	<u>1,283,140</u>
Less accumulated depreciation:				
Buildings and improvements	211,085	28,113	-	239,198
Furniture and equipment	58,189	18,462	-	76,651
Vehicles	<u>99,400</u>	<u>5,225</u>	<u>-</u>	<u>104,625</u>
Total accumulated depreciation	<u>368,674</u>	<u>51,800</u>	<u>-</u>	<u>420,474</u>
Total capital assets, being depreciated, net	<u>910,041</u>	<u>(47,375)</u>	<u>-</u>	<u>862,666</u>
Capital assets, net	\$ <u>1,052,059</u>	\$ <u>(47,375)</u>	\$ <u>-</u>	\$ <u>1,004,684</u>

Government activities:

Depreciation expense was charged to functions as follows:

General government	\$ 25,468
Public safety	24,090
Culture and recreation	<u>2,242</u>
	\$ <u>51,800</u>

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2005.

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005	Due within one year
Governmental activities:					
General obligation bonds	\$ 570,000	\$ -	\$ 20,000	\$ 550,000	\$ 25,000
Capital lease payable	5,430	-	1,115	4,315	1,244
Compensated absences	<u>2,521</u>	<u>149</u>	<u>-</u>	<u>2,670</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 577,951</u>	<u>\$ 149</u>	<u>\$ 21,115</u>	<u>\$ 556,985</u>	<u>\$ 26,244</u>

Governmental activities:

General obligation bonds:

\$550,000 Limited Tax General Obligation

Bonds of 2000 with final installment of

\$55,000 due March 2020; interest at 5.3%

\$ 550,000

10.98% Capital lease payable due in monthly
installments of \$138 including interest; final
payment due April 2008

4,315
554,315

Compensated absences

2,670
\$ 556,985

The general obligation bonds are backed by the full faith and credit of the Township.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2005 follows:

Year ending March 31, 2005	Governmental activities		Total
	Principal	Interest	
2006	\$ 26,244	\$ 30,382	\$ 56,626
2007	26,388	28,913	55,301
2008	26,547	27,429	53,976
2009	30,136	25,995	56,131
2010	30,000	24,406	54,406
2011-2015	180,000	96,212	276,212
2016-2020	<u>235,000</u>	<u>41,320</u>	<u>276,320</u>
Total	<u>\$ 554,315</u>	<u>\$ 274,657</u>	<u>\$ 828,972</u>

Hamlin Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE F—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2005, pension expense was approximately \$11,000.

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 49 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Hamlin Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 100,300	\$ 103,975	\$ 113,967	\$ 9,992
Fees and fines	3,000	3,000	957	(2,043)
Licenses and permits	-	-	3,140	3,140
Intergovernmental revenues - state	175,000	180,000	215,371	35,371
Charges for services	61,900	63,750	81,248	17,498
Investment earnings	10,000	10,000	13,093	3,093
Miscellaneous	5,300	7,805	9,201	1,396
Total revenues	355,500	368,530	436,977	68,447
EXPENDITURES				
Current				
General government				
Legislative	\$ 33,500	\$ 34,250	\$ 26,848	\$ 7,402
Supervisor	25,000	25,000	20,669	4,331
Elections	6,000	6,000	4,939	1,061
Board of review	1,500	1,500	1,636	(136)
Clerk	29,000	29,000	24,854	4,146
Treasurer	29,000	29,000	31,877	(2,877)
Assessor	49,000	49,000	51,513	(2,513)
Office manager	37,000	37,000	37,978	(978)
Township hall	30,000	30,000	23,370	6,630
Public works				
Road commission	55,000	55,000	47,205	7,795
Street lights	2,000	2,000	1,832	168
Health and sanitation				
Transfer facility	35,000	35,000	35,861	(861)
Community and economic development				
Zoning administrator	34,000	34,000	17,987	16,013
Planning commission	8,000	8,000	9,315	(1,315)
Zoning board of appeals	5,000	5,000	2,772	2,228
Culture and recreation				
Parks	15,000	15,000	12,492	2,508
Debt service				
Principal	-	-	1,115	(1,115)
Interest and fees	-	-	542	(542)
Capital Outlay	10,000	10,000	-	10,000
Contingencies	40,000	39,250	-	39,250
Total expenditures	444,000	444,000	352,805	91,195
Excess of revenues over (under) expenditures	(88,500)	(75,470)	84,172	159,642
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	885	885
Transfers out	-	-	(1,013)	(1,013)
Total other financing sources and uses	-	-	(128)	(128)
Net change in fund balances	\$ (88,500)	\$ (75,470)	84,044	\$ 159,514
Fund balance at April 1, 2004			610,516	
Fund balance at March 31, 2005			\$ 694,560	

Hamlin Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

Fire Fund
For the year ended March 31, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 63,000	\$ 63,000	\$ 68,140	\$ 5,140
Investment earnings	200	200	583	383
Miscellaneous	600	600	6,928	6,328
Total revenues	<u>63,800</u>	<u>63,800</u>	<u>75,651</u>	<u>11,851</u>
EXPENDITURES				
Current				
Public safety	\$ 62,000	\$ 62,000	\$ 57,456	\$ 4,544
Capital outlay	2,000	2,000	4,425	(2,425)
Total expenditures	<u>64,000</u>	<u>64,000</u>	<u>61,881</u>	<u>2,119</u>
Excess of revenues over expenditures	(200)	(200)	13,770	13,970
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>1,013</u>	<u>1,013</u>
Net change in fund balances	\$ <u>(200)</u>	\$ <u>(200)</u>	14,783	\$ <u>14,983</u>
Fund balance at April 1, 2004			<u>62,934</u>	
Fund balance at March 31, 2005			<u>\$ 77,717</u>	

OTHER SUPPLEMENTAL INFORMATION

Hamlin Township
BALANCE SHEET
Other Governmental Funds
March 31, 2005

		Special Revenue Fund
		<u>Budget</u>
		Stabilization
		<u>Fund</u>
ASSETS		
Cash and investments	\$	<u>38,600</u>
Total assets	\$	<u><u>38,600</u></u>
 FUND BALANCE		
 Fund balances		
Unrestricted	\$	<u>38,600</u>
Total fund balances	\$	<u><u>38,600</u></u>

Hamlin Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2005

	Special Revenue Fund <hr/> Budget Stabilization Fund <hr/>
REVENUES	
Investment earnings	\$ 885
OTHER FINANCING USES	
Operating transfers out	<hr/> (885)
Net change in fund balances	-
Fund balances at April 1, 2004	<hr/> 38,600
Fund balances at March 31, 2005	\$ <hr/> <hr/> 38,600